

delivered in each quarter of 2002). If the Annual Total Production equals or exceeds 7500, Producer will provide IBP on November first of each year the approximate number of hogs to be delivered on a monthly basis for the next year. Producer will use his best efforts to deliver to IBP the Annual Total Production of Market Hogs on an even and consistent basis over each year of the Term (i.e. if Producer is to deliver 4,000 head per year, approximately 1,000 head should be delivered per quarter; or if 9,000 head are to be delivered per year, approximately 750 head should be delivered per month). If the Producer's delivery estimates change, the Producer shall update the estimates immediately and deliver the new estimate to IBP.

(c) Producer agrees to arrange and schedule with a designated IBP representative Market Hog deliveries to either of IBP's two nearest operational plants (excluding the Perry, IA facility unless Producer is an approved supplier for Nippon). IBP will use good faith efforts to arrange delivery to the nearest plant when possible. Producer will notify IBP that Market Hogs are ready for delivery no later than, Thursday of the week prior to the week of delivery. By Friday of the week preceding delivery, IBP will schedule and notify Producer of the day of the week and the time of day which Market Hogs should be delivered to the designated IBP facility. IBP and Producer will work together to create reasonable schedules for the delivery of Market Hogs. Changes in that schedule will be permitted only by agreement between IBP and Producer reached at least twenty-four (24) hours prior to delivery, or unless agreed to otherwise in this Agreement. Other IBP plants may be added as delivery points for Market Hogs as mutually agreed to by the parties.

(d) Inspection, sorting and weighing shall be performed by IBP at the plant specified by IBP for delivery. No hogs shall be accepted to fulfill the terms of this Agreement if they do not meet the specifications of a Market Hog.

(e) Title and risk of loss on the Market Hogs will pass from Producer to IBP upon the slaughter of the Market Hogs at IBP's plant, however, Producer will remain responsible for any carcasses that contain drug residue or are adulterated in any other manner which is due to Producer.

(f) Producer and IBP shall immediately notify and consult with each other concerning any temporary inability to take or deliver Market Hogs.

(g) IBP shall have a right of first refusal to any bid Producer has received for sows, boars and off quality hogs being sold for slaughter.

Section 3. Verification of Hog Quantity and Quality

(a) It is mutually understood between IBP and Producer that Producer will produce Market Hogs with carcasses that will equal or exceed the average of all carcasses from Market Hogs delivered to IBP based on the existing carcass evaluation system at the time of delivery. Producer will use genetics to produce Market Hogs that